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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 002040

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SUBJECT: METI'S NEW AGENCY FOR NATURAL RESOURCES AND ENERGY
LOOKS FOR CONTINUED COOPERATION ON ENERGY AND CLIMATE

¶1. (C) Summary: METI's new Agency for Natural Resources and Energy (ANRE) Director-General, Kazuhiko Hombu, stressed a strong desire to work closely with the U.S. on energy issues, including in connection with climate change and other environment issues, in a meeting with embosffs July 22. Hombu said energy is a top GOJ policy issue and good cooperation with the U.S. is essential. On high oil prices and the demands by Japanese fishermen and other interest groups for Japanese government help, Hombu said the long-term structural issues underlying today's situation are different than the purely OPEC-related supply shocks of the 1970s; rather than primarily a matter of OPEC supply levels, rising international demand for oil, particularly in China and India, is the key factor. He said energy and climate discussions at the G-8, IEA, and MEM provide a dialogue that the public can follow, but that there is a need for bilateral discussion on energy and climate related technology R&D. Hombu noted energy and climate policy are "two sides of the same coin." He also noted that Japan is planning to host a ministerial-level energy forum in Tokyo later this fall. End Summary.

¶2. (C) METI Agency for Natural Resources and Energy (ANRE) DG Kazuhiko Hombu met with EMIN, DOE Energy Attache, and Econoff July 22 shortly after assuming his new responsibilities. The new METI ANRE International Affairs Division Director, Yota Ono, also participated. Recalling his early GOJ experience, Hombu said U.S.-Japan energy R&D initiatives launched in the 1970s sent a strong signal to OPEC nations. He added closer bilateral discussions by the U.S. and Japan on climate and energy can be a powerful symbolic message to other countries. Hombu mentioned the International Partnership on Energy Efficiency Cooperation (IPEEC) and the Clean Technology Initiative (CTI) as two important initiatives toward this end. He added U.S.-Japan leadership would also help the GOJ address domestic constituencies, such as fisherman and farmers, who are looking to the government for help in meeting high energy prices. Hombu noted the GOJ does not want to create new subsidy programs for agriculture and the fishing industry, agreeing with EMIN that such subsidies often prove difficult to reverse. Hombu also stated there is no clear way for governments to distribute benefits under subsidy or other

price relief programs fairly.

Sectoral Approach and the APP

13. (C) Noting the enormous potential for energy efficiency in India and China and these countries' important role in world energy and other raw materials markets, Hombu said showcase initiatives should go beyond R&D to include demonstration and deployment of new technology in emerging countries under full intellectual property protection. The ANRE DG emphasized METI's support for a sectoral approach to greenhouse gas reduction and energy efficiency. He highlighted the importance of maintaining momentum in the Asia-Pacific Partnership (APP), which he said keeps China and India engaged on energy and climate. He said the GOJ would like to add the land transportation sector to the APP, but the U.S. has signaled it prefers to wait. He said knowing the U.S. position would be helpful for the GOJ in preparing to propose the additional sector in the future. Hombu praised the APP for helping highlight China's need for a fair compliance mechanism for local factories and noted China had agreed in the recent APP meeting in Seattle to host a ministerial-level meeting in Beijing in 2009. Hombu also praised DOE and State Department involvement in the APP and said he hopes the USG will continue its strong support and leadership.

14. (C) Talking further about China and India, Hombu agreed that it would be valuable to find ways for the two countries to cooperate with/engage in the work of the International

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Energy Agency. Again, including the two countries in research, development, deployment, and demonstration activities is important both in terms of the success of the projects themselves and for the success of global efforts to meet energy and climate change needs.

Bilateral Cooperation

15. (C) Hombu asked that energy remain a key issue in U.S./Japan bilateral interaction. He praised the cooperation between Secretary Bodman and METI Minister Amari and stated the importance of maintaining the momentum that has resulted from their relationship. Hombu said construction of new nuclear power plants in the U.S. will send a strong, positive signal to other countries. However, he noted there are questions in Japan over whether this trend will continue following the November elections.

16. (C) In addition, Hombu stressed repeatedly throughout the conversation the strong desire to work closely with the United States in the coming months to develop a viable post-Kyoto framework. He noted the difficulties facing the efforts leading up to the Copenhagen meeting, but reiterated the need for the two countries to continue to cooperate. Hombu also noted GOJ conversations with the EU on energy matters, including on new technologies.

The Annual GOJ Staffing changes

17. (C) Regarding METI staffing changes, Hombu noted the experience of his new team at ANRE and, noting press speculation regarding a potential upcoming cabinet reshuffle, mentioned a new METI Minister will be nominated "at some point." He said Minister Amari has shown strong will on energy and climate issues and his continued tenure would present ANRE with an opportunity for further progress. Looking to the fall, Hombu mentioned ANRE's plans for a ministerial-level energy forum in Tokyo likely to be scheduled for the second or third week of November. The METI ANRE International Affairs Division Director, Yota Ono, said Secretary Bodman would be invited to participate.

